

## VERMONT PENSION INVESTMENT COMMITTEE

May 29, 2008

### **Members Present:**

WARREN WHITNEY, Chairman, VSERS, VSEA member (term expiring September, 2008)  
VAUGHN ALTEMUS, Vice-Chairman, VSTRS representing Commissioner of Education  
JEB SPAULDING, VT State Treasurer  
ROBERT HOOPER, VSEA member (term expiring September 2008)  
DICK JOHANNESSEN, VSERS Governor's Delegate  
ROGER DUMAS, Retired Vermont State Employees' Association (term expiring September, 2009)  
JAMES REARDON, VSERS Commissioner of Finance & Management  
DAVID HERLIHY, VSERS Commissioner of Human Resources  
JON HARRIS, VSTRS (Active No. 25669), (term expiring July 1, 2011)  
JAY KAPLAN, VSTRS, Association of Retired Teachers of Vermont, (term expiring July 1, 2008)  
JOSEPH MACKEY, VSTRS (Active No. 29334), (term expiring July 1, 2009)  
THOMAS CANDON, VSTRS, representing Commissioner of BISHCA  
STEVEN JEFFREY, VMERS Employee Representative (term expiring July 1, 2010)  
STEPHEN RAUH, VMERS Governor's Delegate

### **Members Absent:**

W. JOHN MITCHELL, II, VMERS Employee Representative (term expiring July 1, 2008)  
DAVID LEWIS, VMERS Employer Representative (term expiring July 1, 2009)  
KEVIN GAFFNEY, VSEA member (term expiring September 2009)

### **Also attending:**

Donna Holden, Clerk  
David Minot, Director of Finance and Investments  
Kevin Kondry, Chris Levell, NEPC  
Jaye Pershing-Johnson, Assistant Attorney General  
Linda Deliduka, Association of Retired Teachers of Vermont  
Barry Bryant, Dahab Associates

### **CALL TO ORDER:**

The Chairperson, Warren Whitney, called the Thursday, May 29, 2008, meeting to order at 8:35 a.m., which was held in the 4<sup>th</sup> Floor Conference Room, 109 State Street, Montpelier, VT.

### **ITEM 1:      Investment Consultant**

- **Quarterly Review**

Mr. Kondry and Mr. Levell presented the Q1/08 report. They reported a total VPIC fund balance of \$3.26 billion in assets, which currently included the three retirement systems and one municipality. The Committee also reviewed the individual plans' current and target asset allocations, manager summaries, and plan performance.

#### **VSTRS:**

The first quarter 2008 performance reported a market value fund balance at approximately \$1.5 billion and a gross quarterly return of (5.4)%, an under performance of the (5.3)% median public fund with assets over \$1B. The one-year return was reported at (1.8)% vs. the median public fund at 0.7%, three-year return 7.6% vs. the median public fund at 8.4%, and a five-year return of 11.6% vs. 12.0%.

#### **VSERS:**

The first quarter 2008 performance reported a market value fund balance at approximately \$1.3 billion and a gross quarterly return of (5.4)%, an under performance of the (5.3)% median public fund with assets over \$1B. The one-year return was reported at (1.5)% vs. the median public fund at 0.7%, three-year return 7.6% vs. the median public fund at 8.4%, and a five-year return of 11.4% vs. 12.0%.

**VMERS:**

The first quarter 2008 performance reported a market value fund balance at approximately \$318 million and a gross quarterly return of (5.4)%, an under performance of the (5.3)% median public fund. The one-year return was reported at (1.6)% vs. the median public fund at 0.4%, three-year return 8.1% vs. the median public fund at 7.8%, and a five-year return of 11.1% vs. 11.3%.

**BURLINGTON:**

The first quarter 2008 performance reported a market value fund balance at approximately \$119 million and a gross quarterly return of (5.4)%, an under performance of the (5.3)% median public fund. The inception date of this municipal deposit was November 1, 2007; therefore, further performance data was calculated on anticipated returns if they had been a member. One-year return at (1.8)% vs. the median public fund at 0.4%, three-year return at 7.4% vs. the median public fund at 7.8%, and a five-year return of 10.4% vs. 11.3%.

**ITEM 2:      Committee Action Items**

**A.      Approve the Minutes of**

- **February 13, 2008 – Regular meeting**
- **March 13, 2008 – Special meeting**
- **April 8, 2008 – Educational meeting**

**On a motion by Mr. Kaplan seconded by Mr. Jeffrey, the Committee unanimously voted to approve the minutes of February 13, 2008, March 13, 2008, and February 13, 2008, as submitted.**

**B.      Investment/Search Subcommittee Report**

- **Investment Manager Update**

Mr. Spaulding provided an oral report.

- **Real Estate RFP – Update/Recommendation**

Mr. Spaulding advised the Committee that the Investment/Search Subcommittee selected two managers each from the domestic value added and global value added/opportunistic categories to move forward to vet contract issues with the attorney general's office, and potentially be invited for interviews.

*Mr. Jeffrey left the meeting.*

- **GAA RFP – Update /Recommendation**

Mr. Spaulding summarized the presentations from the three managers who appeared before the Investment/Search Subcommittee, and Mr. Levell reviewed the Bridgewater product and approach.

**On a motion by Mr. Spaulding seconded by Mr. Kaplan, the Committee unanimously voted to fill the remaining 5% GAA allocation by entering into contract negotiations with Bridgewater as their third GAA manager, as recommended by the Investment/Search Subcommittee.**

The Committee acknowledged the funding of approximately \$170 million would be 3% from equity and 2% from fixed income.

- **Other Miscellaneous Items**

None

*Mr. Griffin arrived during the executive session.*

**ITEM 3: Committee Discussion Items**

**A. Comments From Attorney General's Office**

- **Wellington Contracting Matters**
- **Securities Litigation: Societe Generale (SocGen)**

The Committee discussed the May 27, 2008, advisory memo from Jaye Johnson concerning Wellington contract matters, which among other items included 1.) a lack of formal asset allocation, 2.) no formal leverage limiting policy, and 3.) portfolio valuation concerns.

**At 11:14 a.m. on a motion by Mr. Kaplan seconded by Mr. Dumas, the Committee unanimously voted to enter into executive session pursuant to Title 1 § 313, to discuss contractual, and litigation matters.**

Ms. Johnson, Mr. Kondry, Mr. Levell, Ms. Deliduka, Mr. Bryant, Mr. Minot, and Mrs. Holden were invited into the executive session.

**At 11:56 a.m. the Board exited the executive session.**

The Committee acknowledged that extensive due diligence was exercised during the executive session regarding Wellington contracting.

Along with Mr. Griffin the Committee discussed the SocGen litigation process and status.

**B. New VPIC Structure Pursuant to H.880**

Mr. Spaulding reviewed the statutory provisions and advised the Committee that on July 1, 2008, a new 6-member (and 4 alternates) VPIC structure consisting of the Treasurer, one representative and one alternate from each of the VSTRS, VSERS, and VMERS systems, and two gubernatorial appointees and one alternate, would take effect. He also noted the setting of the actuarial rate of return would be a joint resolution between the respective Boards and VPIC.

Mr. Spaulding said to date he was not aware of who the Governor's appointees and alternate were, and that the Employees' Board had not met to conduct their selection/election. However, the Teacher's Board members elected Mr. Kaplan to be their representative, and Mr. Mackey to be the alternate, and the Municipal's Board members elected Mr. Rauh to be their representative, and Mr. Jeffrey to be the alternate. He said he hoped to meet for a day and one-half in July to begin the organizational activities.

**C. Director of Finance and Investments Report**

The Committee discussed the transition management services and proposed amendment to the custodian bank contract to include the transition management.

**ITEM 4:      Any New or Other Business to Come Before the Committee**

Mr. Spaulding thanked the members of the Committee for their service.

**Adjournment**

**On a motion by Mr. Kaplan seconded by Mr. Dumas, the Committee unanimously voted to adjourn at 12:25 p.m.**

Respectfully submitted,

Donna Holden, Clerk